GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:436
ANSWERED ON:25.08.2006
INVESTOR PROTECTION FUND
Prabhu Shri Suresh Prabhakar

Will the Minister of FINANCE be pleased to state:

(a) whether Investor Protection Fund (IPF) has been established by the Securities and Exchange Board of India (SEBI) ;

(b) if so, the objectives and quantum of funds made available;

(c) the relation of IPF with Investor Education and Protection Fund (IEPF);

(d) ihc budgetary allocation under IPF and expenses incurred during 2005-06 and the current year;

(e) whether cases of the procedural formalities in IPF being unreasonably complex have come up; and

(f) if so, the details thereof and action taken thereon?

Answer

MINISTRY OF THE STATE IN THE MINISTRY OF FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (f): A statement is placed on the table of the House.

Statement referred to in reply to parts (a) to (f) of Lok Sabha Starred Question No. 436 for answer on 25th August, 2006 regarding `Investor Protection Fund` raised by Shri Suresh Prabhakar Prabhu :

(a) It was proposed in the Budget for 2006-07 to set up an Investor Protection Fund (IPF) funded by fines and penalties recovered by SEBI. These amounts are presently credited to the Consolidated Fund of India as required under securities laws Securities Contracts(Regulations) Act, 1956, the SEBI Act, 1992, and the Depositories Act, 1996. The IPF can be established after the relevant laws are amended permitting credit of these amounts to the IPF.

(b) The broad objective of the IPF would be protection of investors in securities. The specific objectives would be determined in consultation with SEBI.

(c) The Investors Education and Protection Fund (IEPF) is set up under the Companies Act and is administered by the Ministry of Company Affairs, while IPF is proposed to be set up under the aegis of SEBI under the securities laws.

(d) No budgetary allocation has been made for IPF so far as it is to be set up with amounts collected by SEBI by way of fines and penalties.

(e)and (f): The establishment of IPF would require an amendment of the securities laws.